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UNCLAS SAN SALVADOR 000320

SIPDIS

STATE FOR EEB/IFD/OMA JJACOBY

E.O. 12958: N/A

TAGS: EAID ECON PREL ES

SUBJECT: El SALVADOR: BUDGET TRANSPARENCY

REF: STATE 028885

¶1. The following is Embassy San Salvador's response to reftel A questions on fiscal transparency.

¶2. The Government of El Salvador (GOES) is expected to receive U.S. foreign assistance using FY09 funds. USAID works with various Ministries (e.g., Health, Education) as well as the judicial branch.

¶3. The budget is made publicly available approximately one month after it is approved by the National Assembly. The budget is published in the government's "Official Register" and on the Ministry of Finance's website. The budget includes income and expenditure levels.

¶4. For the past few years, the GOES has used very optimistic projections for overall economic growth and tax revenue. For example, the 2009 budget, which was approved in December 2008, assumed GDP growth of 3.5 to 4 percent and tax revenue growth (and thus overall budget growth) of 8 percent. In March 2009, the GOES lowered its GDP growth projection to 0.5 percent, while reported tax revenues are down 12 percent. The 2008 budget both overestimated growth and underestimated expenses, especially for government subsidies for electricity and propane gas.

¶5. A new GOES takes office on June 1.

Blau